

Exhibit No.:
Issue: Safety Capital Investments
Witness: Michael D. Beatty
Type of Exhibit: Direct Testimony
Sponsoring Party: Liberty Utilities
(Midstates Natural Gas) Corp.
d/b/a Liberty Utilities
Case No.: GR-2018-0013
Date Testimony Prepared: September 20, 2017

**Before the Public Service Commission
of the State of Missouri**

Direct Testimony

of

Michael D. Beatty

On behalf of

**Liberty Utilities (Midstates Natural Gas) Corp.
d/b/a Liberty Utilities**

September 2017



DIRECT TESTIMONY
OF
MICHAEL D. BEATTY
LIBERTY UTILITIES
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. GR-2018-0013

1 **INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Michael D. Beatty. My business address is 602 S. Joplin Avenue, Joplin
4 Missouri 64802.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Liberty Utilities Services Corp., as the Vice President of Gas
7 Operations for the Liberty Utilities Central Region, which includes Liberty Utilities
8 (Midstates Natural Gas) Corp. d/b/a Liberty Utilities and Empire District Gas Company
9 (“Empire”).

10 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

11 A. I am testifying on behalf of Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty
12 Utilities (“Liberty Utilities” or the “Company”).

13 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

14 A. I hold a Bachelor of Science degree in Mechanical Engineering from the Missouri
15 University of Science and Technology (formerly, University of Missouri-Rolla). I am
16 licensed as a Professional Engineer in Missouri, as well as in Colorado, Kansas, Iowa,
17 Illinois, South Carolina, Tennessee (inactive), and Virginia.

18 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

1 A. I joined Liberty Utilities in July 2012 as the Director of Engineering and Compliance,
2 and was promoted to President in October of 2015, and assumed my present position in
3 January 2017.

4 Prior to joining Liberty Utilities, I worked for Atmos Energy in the states of
5 Colorado and Tennessee, and for South Carolina Electric and Gas in South Carolina. I
6 have worked in the natural gas industry for twenty-nine years and have been responsible
7 for engineering and operations matters. My duties and experience have included
8 oversight and direction of engineering, construction, capital budgets, measurement, and
9 system integrity and code compliance.

10 I am actively engaged in industry organizations such as the American Gas
11 Association (“AGA”) and Southern Gas Association (“SGA”). I had the honor of serving
12 on the AGA Distribution Infrastructure Government – Industry Team (“DIGIT”), which
13 developed the Phase One document for Distribution Integrity Management. I also served
14 as the Chairman of the SGA Distribution Integrity Management Framework Document, a
15 joint effort between the SGA and the Northeast Gas Association.

16 **Q. WHAT ARE YOUR PRINCIPAL RESPONSIBILITIES AS THE VICE**
17 **PRESIDENT OF GAS OPERATIONS?**

18 A. I am responsible for the natural gas utility operations for Liberty Utilities’ Central
19 Region which includes the Company’s operations in the States of Missouri, Illinois and
20 Iowa, as well as the natural gas operations of Empire.

21 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN A PROCEEDING BEFORE THE**
22 **MISSOURI PUBLIC SERVICE COMMISSION (“MPSC” OR “COMMISSION”)**
23 **OR BEFORE ANY OTHER UTILITY REGULATORY AGENCY?**

1 A. Yes. While I have not previously testified before this Commission, I have presented
2 testimony before the Iowa Utilities Board and the Illinois Commerce Commission.

3 **PURPOSE OF TESTIMONY**

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. The purpose of my testimony is to address the Company's commitment and focus on
6 pipeline safety and reliability, as well as to address the major capital expenditures
7 reflected in the rate base portion of the Company's rate increase request.

8 **COMPANY'S SAFETY RECORD**

9 **Q. PLEASE DISCUSS LIBERTY UTILITIES' SAFETY RECORD?**

10 A. As President David Swain testified, thanks to our dedicated personnel and emphasis on
11 safety awareness, and our commitment to infrastructure programs that prioritize the
12 investments that are necessary to operate safely, the Company has experienced no major
13 pipeline safety incidents since beginning operations in 2012.

14 Liberty Utilities has an excellent pipeline safety compliance record. Since March
15 2014 the Company has had only one probable violation identified as a result of 25
16 Missouri PSC Pipeline Safety Inspections. Our most recent Missouri PSC Pipeline Safety
17 Inspection was conducted on August 14-16, 2017 in Sikeston, Missouri, and resulted in
18 no probable violations, areas of concerns, or comments. The inspectors offered
19 complimentary words of recognition regarding our team's safety work and practices.

20 **MAJOR CAPITAL EXPENDITURES**

21 **Q. PLEASE ADDRESS THE INFRASTRUCTURE SYSTEM REPLACEMENT**
22 **SURCHARGE ("ISRS") CURRENTLY IN PLACE FOR THE COMPANY.**

1 A. In accordance with Missouri Statutes and the Commission's Rules, the Company's prior
2 ISRS was zeroed out and rolled into base rates in the Company's last rate case, Case No.
3 GR-2014-0152.

4 The Company's current ISRS was established in Case No. GO-2015-0350,
5 effective October 15, 2015, and began the recovery process for ISRS qualifying
6 infrastructure replacement costs incurred during the period of April 1, 2014 through May
7 31, 2015. Thereafter, the Company submitted its second ISRS filing on February 9,
8 2016, to begin the recovery process for ISRS qualifying costs incurred during the period
9 of June 1, 2015 through January 31, 2016, Case No. GO-2016-0206. While the
10 Company's ISRS is broken down by its three rate districts, the total cumulative ISRS
11 revenues to be recovered, as approved by the Commission, was set at \$470,184. That
12 tariff revision was effective June 10, 2016. The Company has performed a reconciliation
13 which has been incorporated into the revenue requirement calculation.

14 **Q. PLEASE EXPLAIN THE TOTAL DOLLAR AMOUNT OF CAPITAL**
15 **INVESTMENTS SINCE THE LAST RATE CASE.**

16 A. In order to continue providing safe, reliable service to customers in Missouri, the
17 Company makes significant investments in its infrastructure each year. Since the last
18 rate case, the Company has invested approximately \$26 million in additions to plant.

19 **Q. PLEASE BRIEFLY EXPLAIN THE MAJOR CAPITAL INVESTMENTS SINCE**
20 **THE LAST RATE CASE.**

21 A. The Company invested approximately \$0.8 million in gate station improvements since
22 the last case. Gate stations, in the context of a natural gas distribution system, reduce the
23 pressure in the line from transmission levels to distribution levels. During the test year,

1 Liberty utilities completed the replacement of the Jim Hill gate station. This
2 interconnect is one of three major interconnects that serves the Company's transmission
3 system in the Missouri Boot Heel region. This project involved updating a pressure
4 reduction and odorization station built in the early 1950's.

5 In addition, to the replacement of the Jim Hill gate station, the Company has
6 invested approximately \$8 million dollars in meters in its Missouri service territory,
7 including the implementation of automated meter reading ("AMR") for approximately
8 5,400 customers in and around Canton, Missouri. In addition, the Company replaces
9 approximately 1,300 meters annually as part of its Periodic Meter Change Testing
10 (PCMT) program.

11 **Q. DID THE COMPANY MAKE ANY ADDITIONAL SIGNIFICANT**
12 **INVESTMENTS IN PLANT SINCE THE LAST RATE CASE?**

13 A. Yes. The Company invested approximately \$0.5 million dollars for the construction of a
14 Compressed Natural Gas ("CNG") station at its Jackson, Missouri service location. This
15 service station allows certain Liberty Utility service vehicles to operate more efficiently
16 than regular petroleum powered vehicles and also serves to reduce emission levels.

17 In addition the Company has invested approximately \$3.0 million for updates
18 associated with GIS mapping software, gas distribution data gathering and control
19 software and accounting and billing software since the last rate case.

20 **Q. DO YOU BELIEVE THE INVESTMENTS MADE SINCE THE LAST RATE**
21 **CASE ARE REASONABLE AND PRUDENT?**

1 A. Yes. The investments made by Liberty Utilities since the last rate case are reasonable
2 and prudent. These investments contribute to the Company's ability to deliver safe and
3 reliable service to its customers.

4 **Q. PLEASE BRIEFLY EXPLAIN THE PRO FORMA RATE BASE ADJUSTMENTS**
5 **INCLUDED IN THE RATE INCREASE.**

6 A. The Company is investing more than \$7 million on the implementation of AMR across
7 the remaining Missouri service territories. The implementation of AMR will increase the
8 accuracy of meter reading and consequently improve the billing accuracy for our
9 customers. Additionally, AMR investments allow the Company to utilize current and
10 experienced employees to fill positions vacated by our aging workforce as they exit the
11 industry to pursue retirement.

12 During 2015, the Company made significant investments to replace some of the
13 last cast iron pipe remaining in the system. With the conclusion of this project, the
14 Company is able to shift our focus to replacing other types of pipe including bare steel
15 and polyvinyl chloride ("PVC"). The Company is including approximately \$1.4 million
16 in the current case as a pro-forma adjustment to reflect the costs it reasonably expects to
17 incur associated with the replacement of mains from July 2017 through March 2018.
18 Liberty Utilities believes the replacement of bare steel and PVC mains provides more
19 reliable and safe service to our customers.

20 **Q. ARE THERE ANY ADDITIONAL PRO FORMA RATE BASE ADJUSTMENTS**
21 **INCLUDED IN THE RATE INCREASE?**

22 A. Yes. In an effort to replace the Company's aging service fleet, it is investing more than
23 \$1.3 million in the replacement of fourteen trucks, two backhoes, one mini-excavator,

1 one trencher and a trailer for a portable welder. In addition, the Company is making
2 needed upgrades at the service center in Hannibal, Missouri for the construction of a 34
3 foot by 40 foot metal storage building which will provide a heat-controlled environment
4 for the Company's horizontal directional drilling equipment and vacuum trailer.

5 **Q. DOES THE COMPANY ANTICIPATE THAT ALL OF THE ITEMS INCLUDED**
6 **IN YOUR PRO FORMA RATE BASE ADJUSTMENT WILL BE PLACED IN**
7 **SERVICE PRIOR TO THE COMPLETION OF THIS PROCEEDING?**

8 A. Yes.

9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 A. Yes.

AFFIDAVIT OF MICHAEL D. BEATTY

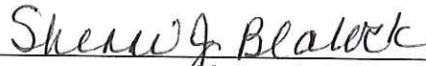
STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 20th day of September, 2017, before me appeared Michael D. Beatty, to me personally known, who, being by me first duly sworn, states that he is the Vice President of Gas Operations of Liberty Utilities – Central Region and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.



Michael D. Beatty

Subscribed and sworn to before me this 20th day of September, 2017.



Notary Public

My commission expires: Nov. 16, 2018.

